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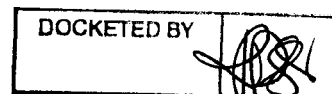
Arizona Corporation Commission

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DEC 28 2007

December 26, 2007

Arizona Corporation Commission
Utilities Division – Docket Control
1200 West Washington Street
Phoenix, Arizona 85007



Re: UniSource Energy Services Report
Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-01032C-02-0914, G-01032A-02-0914
A.C.C. Decision No. 66028

Pursuant to A.C.C. Decision No. 66028, UniSource Energy Services (“UES”) files this progress report on the negotiations to restructure the Pinnacle West Capital Corporation (“PWCC”) Power Supply Agreement (“PSA”). The currently sustained environment of high and volatile natural gas and power prices has not been conducive to renegotiating the PWCC PSA to receive better terms. However, UES continues to evaluate other supply options for an advantageous contract restructuring opportunity.

Very truly yours,

Jessica Bryne
Regulatory Services

Cc: Ernest Johnson, Utilities Division Director
A.C.C. Compliance Manager
All Parties of Record